

Message Text

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ORIGIN EB-07

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DRAFTED BY EB/ICD/TRP:MMWALL:SMCP
APPROVED BY EB:JLKATZ
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-----210445Z 119116 /14

P R 202353Z MAY 77
FM SECSTATE WASHDC
TO USMISSION GENEVA PRIORITY
INFO AMEMBASSY CANBERRA
AMEMBASSY LONDON

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E.O. 11652: N/A

TAGS: ETRD, EAGR

SUBJECT: SUGAR: BILATERAL DISCUSSIONS WITH AUSTRALIANS

1. AUSTRALIAN EMBASSY COMMERCIAL MINISTER J.T. SMITH
CALLED ON ASSISTANT SECRETARY KATZ ON INSTRUCTIONS MAY 19
TO RAISE AUSTRALIA'S CONCERN OVER THE DEADLOCK IN THE SUGAR
NEGOTIATIONS. THE U.S. AND CUBA WERE AT OPPOSITE POLES,
HE SAID, WITH CUBA SHOWING NO FLEXIBILITY AND THE U.S.,
DESPITE ITS STATEMENTS TO THE CONTRARY, DEMONSTRATING
LITTLE IN PRACTICE. MR. SMITH STRESSED THAT STOCKS SEEMED
THE KEY ISSUE CAUSING THE IMPASSE. HE INQUIRED WHETHER
COOL BILATERAL RELATIONS BETWEEN THE U.S. AND CUBA MIGHT BE
RESPONSIBLE FOR THE IMPASSE. HE ALSO ASKED IF AN ACCOMMO-
DATION BETWEEN THE U.S. AND THE OTHER EXPORTERS MIGHT BRING
CUBA INTO LINE OR IF AN AGREEMENT COULD SUCCEED WITHOUT
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CUBA.

2. KATZ AGREED THAT THE CONFERENCE HAD REACHED A DEADLOCK
BUT NOT BECAUSE OF BILATERAL DIFFICULTIES BETWEEN THE U.S.
AND CUBA OR UNWILLINGNESS BY THE U.S. TO BE FLEXIBLE.
RATHER IT WAS DUE TO THE FAILURE OF THE EXPORTERS TO SHOW
ANY MOVEMENT AWAY FROM THEIR SUPPORT FOR AN AGREEMENT

MODELED AFTER THAT OF 1968, A POSITION UNACCEPTABLE TO THE U.S. HE NOTED THAT AUSTRALIA WAS LARGEST EXPORTER TO WORLD

FREE MARKET AND THAT ITS POSITION THUS FAR HAD BEEN INDISTINGUISHABLE FROM THAT OF CUBA.

3. KATZ MADE CLEAR THAT U.S. WANTED A SUGAR AGREEMENT BUT WOULD NOT ACCEPT ANY AGREEMENT. AGREEMENT HAD TO BE EFFECTIVE IN SUPPORTING BOTH MINIMUM AND MAXIMUM PRICE OBJECTIVES AND SHOULD HAVE ZONE IN MIDDLE OF TEN CENT PRICE RANGE FREE OF INTERVENTION. WE BELIEVED STOCKS HAD TO PLAY MAJOR ROLE IN PRICE MECHANISM AND WHILE WE ARE FLEXIBLE AS TO LEVEL OF STOCKS WE WERE NOT PREPARED TO PLAY NUMBERS GAME. STOCK FIGURE HAD TO BE RELATED TO OBJECTIVE OF AGREEMENT. FINALLY, KATZ POINTED TO NEED FOR EXPORT QUOTAS (WHICH SHOULD ONLY OPERATE AT LOWEST END OF PRICE RANGE) TO BE ALLOCATED BASED ON BASIS OF REAL AVAILABILITY RATHER THAN FICTITIOUS MARKET SHARES AND NEED FOR PERIODIC ADJUSTMENT AS WELL AS EFFECTIVE SHORTFALL PROVISION.

4. SMITH UNDERTOOK TO PASS COMMENTS TO CANBERRA URGENTLY. CHRISTOPHER

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